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C O N F I D E N T I A L SECTION 01 OF 03 ISTANBUL 000438

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SUBJECT: AHMADINEJAD IN ISTANBUL

REF: (A) ANKARA 1465 AND PREVIOUS (B) ISTANBUL 152

Classified By: Acting Principal Officer Sandra Oudkirk; Reason 1.5 (d)

11. (C) Summary: Iranian President Ahmadinejad led an Iranian delegation to Istanbul August 14-15 for a bilateral "working visit." Five agreements -- on security cooperation, the environment, transportation, tourism, and archives -- were signed, but observers said these were not likely to contain significant new substance. No agreement on hydrocarbon cooperation was inked, but both sides pledged to pursue further talks based on the July 2007 energy MOU. A meeting of Turkish and Iranian commercial representatives was reportedly canceled at the last minute by Iran, to the Turkish side's consternation. Press coverage of the visit centered on the August 14 joint presidential press conference -- which one journalist attending characterized as largely content-free excepting remarks from President Gul on the nuclear issue -- and the traffic paralysis caused by Ahmadinejad's motorcade. We heard several anecdotes underscoring the Iranian delegation's disorganized approach to the visit.

12. (C) Asked what this visit means for Turkey-Iran relations, our contacts agreed that the GOT allowed the visit to occur (while severely limiting the visit's substance) not out of any warmth for the Iranian regime but to carefully balance its common interests with Tehran -- e.g. regional stability and fighting local terrorism -- with the concerns it shares with the U.S. and EU about the Iranian regime. We believe this visit illustrated the GOT's belief that it can help moderate Iranian behavior not only by supporting UNSC sanctions and pressing for nuclear compliance, but also by pursuing careful diplomatic, economic, commercial, and cultural engagement as well. The GOT took a risk in allowing the visit, and is likely to be relieved that it is now over. End summary and comment.

Short on substance, "scrounging for agreements to sign"

13. (SBU) Iranian President Mahmoud Ahmadinejad led an Iranian delegation to Istanbul August 14-15 for a bilateral "working visit" with the GOT, the first visit by an Iranian president to Turkey since 1996. Ahmadinejad was accompanied by Iranian FM Mottaki, Energy Minister Parviz Fattah, and Petroleum Minister Gholam-hossein Nozari. They met with President Gul, Prime Minister Erdogan, Foreign Minister Babacan, and State Minister (Treasury) Simsek. All official meetings took place at Istanbul's Ciragan Palace.

14. (C) No formal energy agreement was signed, despite press speculation that the two sides might use the occasion to complete a formal agreement on hydrocarbon cooperation that would have finalized a July 2007 MOU, in which Turkey had pledged to invest some 3.5 billion USD in Iran's natural gas industry and import over 20 billion cubic meters (bcm) of natural gas from the SouthPars field. Press reports and

local observers suggested that the lack of a signed deal on hydrocarbon cooperation was the result of combination of factors including new demands from Iran on gas pricing, and a desire by the GOT not to run afoul of USG concerns that inking such a deal would both weaken the Iranian regime's international isolation and force the USG to review whether such a deal could trigger provisions of the USG's Iran Sanctions Act. That said, Turkish and Iranian officials publicly underscored their intention to "continue and deepen" bilateral energy cooperation.

15. (C) Five bilateral agreements were signed, pledging Turkey and Iran to enhanced bilateral cooperation on: combating smuggling, organized crime, and terrorism; environmental protection; improving transportation links; promoting tourism; and providing for cooperation and exchanges between Turkey's and Iran's National Libraries. (Comment: The texts of the agreements have not yet been made public.) A western correspondent based in Istanbul, who until recently was based in Tehran, commented that "clearly both sides had to scrounge around for these agreements" and predicted the agreements would most likely include "very little that has not already been agreed or even implemented" between the two countries.

16. (C) The Turkey-Iran Business Council, which operates under the auspices of Turkey's Foreign Economic Relations Board (DEIK), was scheduled to meet August 15 on the margins of the official meetings at the Ciragan Palace Hotel, to finalize an agenda for the August 25-27 "8th Joint Economic Commission Meeting," to be held in Tehran (ref B). According a contact who works for DEIK, however, the Iranian commercial

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delegation canceled at the last minute. "The two Presidents and Foreign Ministers, as well as Business Council chairmen, were supposed to give remarks, but the event simply did not happen. Foreign Minister Babacan was quite upset." According to our contact, DEIK Board of Directors Chairman Rifat Hisarciklioglu was prepared in his remarks to call on Iran to import more Turkish goods (comment: over 80% of the total bilateral trade is Turkish import of Iranian natural gas), criticize the GOI for imposing "unfair" tariffs on Turkish goods (e.g., a 46% tariff on hazelnuts, as well as significant tariffs on Turkish clothing and furniture), urge Iran to modernize the "IT infrastructure" of its banking industry to allow for better Turkish-Iran banking cooperation; and stop imposing a fuel tax on Turkish truckers entering Iran. According to Hisarciklioglu's (undelivered) remarks, Turkey plans to raise these concerns at the Economic Cooperation Organization (ECO) Summit in Pakistan in November. Our DEIK contact summarized the Turkish side's frustrations with the Iranian commercial team's no-show this way: "Iran seems to care more about the appearance of warm commercial relations with Turkey, than actually taking real steps to deepen those relations."

Paralyzed Traffic, Press Conference Tedium, Ciragan Palace Tension

17. (SBU) Local Turkish media coverage of the visit focused on the August 14 joint Presidential press conference, and on the widespread traffic paralysis confronting Istanbul drivers resulting from highway closures to facilitate Ahmadinejad's motorcade. Several Turks commented to us that Ahmadinejad appeared "calmer and more intelligent" at the press conference than they had expected, and were pleased that he was able to offer basic courtesies in Turkish.

18. (C) These same local observers, as well at least one reporter covering the August 14 press conference, however, found Ahmadinejad's remarks to be disappointingly "content-free." This was a consequence, the reporter asserted, of a poorly-managed press conference in which Ahmadinejad was allowed "to ramble on at length about the

virtues of Iran's contributions to mankind" and thus limit the number of questions posed to him, in what was already an event truncated by its two-hour late start time. One exception was the nuclear issue. On that, President Gul struck a carefully balanced note, noting that Turkey favors a diplomatic solution in which Iran addresses the concerns of the international community, but also emphasizing Turkey's support for Iran's right to peaceful nuclear power. Ahmadinejad responded that on Iran "appreciates any proposals from our friends," adding that Iran would continue to support "the talks in Geneva."

¶9. (C) Ahmadinejad's schedule remained fluid even after arrival in Istanbul, with several events canceled or rescheduled. "His aides seemed at wit's end", a correspondent following the delegation all day on August 14 confided to us, sensing that the delegation was "flying by the seat of its pants." One visiting USG official staying at the same hotel (remarkably, on the same floor) as Ahmadinejad described a chaotic atmosphere in the hotel lobby, noting that she was approached in the lobby by an Iranian official (comment: we think it was Iran's new Ambassador to Turkey, judging by the description), mistaking the USG official for a western reporter and asking her if she had any questions to ask him. Similarly, a correspondent who spent August 14 at the Ciragan Palace Hotel described members of the Iranian delegation as "constantly appearing to get lost inside the palace complex, running around waving papers and yelling at each other." She said the Turkish side's tension and dismay at the Iranian delegation's "unnerving" behavior was palpable.

What does it mean for Turkey-Iran relations?

¶10. (C) According to Can Buharali, a former Turkish diplomat who served in Iran and now works with the Istanbul-based "Center for Economics and Policy Studies" (EDAM), the GOT allowed this visit to proceed out of a sense of "neighborly obligation" and to advance commercial and cultural links with Iran, rather than as a signal of warmth towards the Iranian government. "Of course Turkey does not want to see a nuclear Iran. Turkey's leaders have the same concerns you do about Ahmadinejad and the regime, but they also have confidence in their ability to influence Iran more effectively through commerce and engagement than through sanctions or isolation." Buharali reviewed how Turkey's relations with Iran have "deepened and expanded" in the past five years in such areas

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as commerce, culture, tourism, and energy cooperation. Additionally, the GOT and GOI "closely share common concerns regarding terrorism, narcotic traffic from Afghanistan, and stability in Iraq." Unfortunately, he noted, this growing Turkish influence with Iran has not been sufficient to persuade Iran's leadership to change course on its nuclear program, "leaving Mr. Erdogan and Mr. Gul with a very difficult decision in coming months whether they can join the U.S. and the EU in levying tougher economic sanctions on Iran. It is a decision they would rather not face."

¶11. (C) A Tehran-based political analyst told Istanbul's Iran Watcher that Iran, for its part, "has no illusions" about why Turkey allowed this "working level Summit" to happen. "Ahmadinejad and Gul publicly proclaim their mutual admiration, and present a happy picture talking to each other warmly (in Arabic)", but "Iran knows Turkey needs its natural gas, especially as Russia finds itself more isolated because of Georgia. Iran thinks Turkey needs Iran more than Iran needs Turkey." He predicted that if the U.S., EU, and others pursue further measures to isolate the regime, Iran will correspondingly increase its own commercial- and energy-oriented diplomacy with Turkey. Similarly, an Istanbul-based western news correspondent was told August 13 by a press aide to Ahmadinejad that "Turkey knows that Iran and Turkey are natural partners, and that if Turkey wants to

accomplish anything regionally it needs Iran's help." The press aide added, in reference to Ahmadinejad's visit to Istanbul, that "if it upsets America and Israel, that's just icing on the cake." The correspondent himself predicted that the visit would bolster Ahmadinejad's domestic political standing as Iranian politicians maneuver for next year's presidential elections.

¶12. (C) The Director of Bahcesehir University's Strategic Research Center, Dr. Ercan Citlioglu, a strong secularist with long-standing ties to the Turkish military, criticized the GOT for "underestimating the diplomatic manipulations" of the Iranian regime. He urged that the USG not misinterpret Ahmadinejad's visit as signaling "anything close to a high-water mark" in bilateral relations, and felt the GOT had given in unnecessarily to Iranian pressure to allow the visit. "Turkey and Iran remain wary neighbors." The GOT, however, "thinks it can replicate its success" with the Syria-Israeli track by positioning itself as "an intermediary or honest broker" between Washington and Tehran. "The problem is, instead Erdogan and Gul are playing into Iran's hands as the Iranians try to bide their time on the nuclear front and weaken international consensus on further sanctions." He concluded that even though the bilateral agreements signed during this very were insubstantial, "now the Turkish government will be much more constrained against supporting further sanctions on Iran."

Comment

¶13. (C) Most observers agree that the GOT took a risk in finally acquiescing to Ahmadinejad's visit, given Iran's recent refusal to reply constructively to the P5 1's revised offer in June, and what the press portrayed as pressure from the U.S. and others against any significant deliverables. Ultimately, most observers felt this visit reflected the GOT's desire, realistic or not, to balance the concerns it shares about Iran with most in the international community, and the common interests it shares with its largest and most unpredictable neighbor. The overriding feeling among Turkish opinion-makers upon the conclusion of the Ahmadinejad visit is likely to be relief: Relief that he didn't generate any new controversies or spout off any new, ill-advised public remarks, and relief that the GOT managed to "stay on the balance beam" by pulling off the visit without (yet) signing new agreements with Iran that would have angered Washington or undercut the current sanctions regime on Iran. We tend to agree with the EDAM analyst's paragraph 10 remark that what this visit really illustrated was the GOT's belief that it can help moderate Iranian behavior not only by supporting UNSC sanctions and pressing for nuclear compliance, but also by pursuing careful diplomatic, economic, commercial, and cultural engagement as well. As this expert told us, "that's just the Turkish way."

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